

# Overview of proposed amendment of BPA purchase agreement with Iberdrola Renewables for Stateline Wind Project

**DRAFT**

## **Description**

Bonneville Power Administration Power Services is negotiating an amendment of its agreement with Iberdrola Renewables (Iberdrola) for purchase of a share of the energy output of the Stateline wind project. BPA purchased 90 MW of the Stateline wind project in 2001. Iberdrola had purchased the output of the entire project from Florida Power and Light. BPA purchases this energy and associated attributes at prices well below current market levels, providing significant benefit to BPA's customers. The contract runs through 2026.

Changes in business practices and BPA's rate structure since the original purchase have raised questions on the interpretation of this agreement. The agreement for Stateline was negotiated prior to BPA's development of the wind balancing charge. The agreement provided for purchases based on scheduled energy and included a cap on the amount of generation imbalance costs that Iberdrola would pay. There was no explicit mention of the wind balancing charge.

Wind purchase agreements entered into subsequent to the development of the wind balancing charge differ in several key aspects from the Stateline agreement. Purchasers typically pay all costs incurred from the point of interconnection, including 100 percent of the wind balancing charge.

In order to resolve the interpretation issues associated with the Stateline contract and more closely align contract terms and conditions with current industry business practices, BPA and Iberdrola have negotiated a number of proposed changes to this agreement.

## **Key Elements**

- Iberdrola and BPA have agreed to change the purchase obligation for Stateline from scheduled to metered quantities with an hourly true-up based at market prices.
- BPA has agreed to pay 50 percent of the wind balancing charges levied by the transmission provider on the seller for its Stateline purchase.
- Iberdrola and BPA have agreed to eliminate the generation imbalance cost cap and Iberdrola has agreed to pay all generation imbalance penalties.

## **Summary**

- Changes in business practices and BPA's rate structure since the original agreement was negotiated raised questions about how the agreement should be interpreted.
- BPA has agreed to pay 50 percent of the wind balancing charge levied by the transmission provider for this project.
- BPA has resolved any claims that it is responsible for paying all of the wind balancing charges for this project.
- Purchase terms avoid potential negative financial impact to BPA of scheduling inaccuracies.
- BPA has eliminated risk of paying generation imbalance penalties for the project.